

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 EA-11 FRB-02 INR-10 NEA-10 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

INT-08 DRC-01 /141 W

----- 086799

R 261201Z OCT 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5935

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS

AMEMBASSY MADRID

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E.O. 11652: N/A

TAGS: EIND, ETRD

SUBJECT: FERROUS SCRAP DISCUSSIONS WITH EC OFFICIALS

REF: A) EC BRUSSELS 5975

B) EC BRUSSELS 5790

1. SUMMARY: WILLIAM POLIK OF THE DEPARTMENT AND
A MISSION OFFICER MET ON OCT 23 WITH EC COMMISSION DIRECTOR
FOR STEEL, PETRICK, AND HIS COLLEAGUES IN THE INDUSTRY
AND EXTERNAL RELATIONS DIRECTORATES TO DISCUSS THE US
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FERROUS SCRAP OUTLOOK AND EXPECTED FOREIGN DEMAND IN CY

1974. THE MAIN POINTS OF DISCUSSION FOLLOWS. END SUMMARY

2 US REPS TOLD THE COMMISSION OFFICIALS THAT INCOMPLETE REPLIES TO THE USG REQUEST FOR ESTIMATES OF CY 1974 SCRAP REQUIREMENTS FROM LEADING US FOREIGN SCRAP BUYERS INDICATED THAT 1974 FOREIGN DEMAND MIGHT BE ON THE ORDER OF 16 MILLION SHORT TONS (MST), APPROXIMATELY ONE-THIRD MORE THAN 1973 RECORD HIGH EXPORTS OF APPROXIMATELY 12 MST. THEY SAID THAT THE USG WAS CURRENTLY EVALUATING 1974 SCRAP SUPPLY-DEMAND DATA IN CONNECTION WITH DECISIONS ON 1974 EXPORT POLICY. AT THE COMMISSION'S REQUEST, THE US REPS ALSO PROVIDED DETAILS OF FERROUS SCRAP HARSHIP COMMITTEE OPERATIONS AND PROCEDURES.

3. PETRICK REVIEWED THE EC'S 1974 SCRAP REQUIREMENTS (REPORTED REFTEL A), AND SAID THAT WHILE OTHER COUNTRY ESTIMATES MIGHT HAVE BEEN INFLATED IN HOPES OF OBTAINING MORE US SCRAP IN 1974, EC ESTIMATES ARE REALISTIC SINCE THE FIGURES ARE TAKEN FROM THE OVERALL EC STEEL PROGRAM, TO BE PUBLISHED AT THE BEGINNING OF 1974. HE REITERATED THE URGENT ITALIAN NEED FOR US SCRAP DURING REMAINDER 1973, AND CONTINUED SUBSTANTIAL REQUIREMENTS US SCRAP IN 1974. HE EXPRESSED THE VIEW THAT ANY USG SCRAP ALLOCATION SYSTEM FOR 1974 SHOULD BE BASED ON HISTORIC TRADE PATTERNS WHICH SHOWED ITALY AS A MAJOR FOREIGN BUYER OF US SCRAP. HE DID NOTE THAT THE COMMISSION'S MAIN OBJECTIVE NOW WAS TO BE ON THE "SAFE SIDE" IN 1974. PETRICK SAID THAT THE EC WAS DOING WHAT IT COULD FOR ITALY, BUT THAT EC EFFORTS WERE BEING HAMPERED BY OVERLAND TRANSPORTATION DIFFICULTIES (RAIL-ROAD BOXCAR SHORTAGES; AND LIMITED RAIL ACCESS OVER THE ALPS).

4. STILL DISCUSSING ITALY'S SHORT-TERM SCRAP NEEDS, POLIK NOTED THAT SPAIN ESTIMATED A SHARP INCREASE IN THE NEED FOR US SCRAP IN 1974 (AS REPORTED MADRID 5994), LARGEMLY BECAUSE OF THE EXPECTED CUT-OFF OF UK SCRAP EXPORTS TO SPAIN AS RESULT OF THE EC SCRAP EXPORT BAN. US REPS QUESTIONED PETRICK RE REPORTED CUT-OFF THESE UK SCRAP

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EXPORTS, AND ASKED (ASSUMING SPANISH REPORTS ACCURATE) WHETHER SOME OF FORMER UK SCRAP EXPORTS TO SPAIN MIGHT NOW BE SENT TO ITALY. PETRICK REPLIED THAT UNDER TRANSITIONAL EC ENTRY ARRANGEMENTS, UK CURRENTLY UNDER NO OBLIGATION TO RESTRICT SCRAP EXPORTS OUTSIDE OF EC, AND THAT CURRENT UK SCRAP RESTRICTIONS WERE IMPOSED ALMOST ENTIRELY TO MEET DOMESTIC UK SCRAP NEEDS. HOWEVER, WHILE UK UNDER NO OBLIGATION TO DO SO, PETRICK HOPED UK WOULD BE ABLE TO

HELP ALLEViate ITALIAN SCRAP NEEDS. ON THIS POINT PETRICK
MENTIONED THAT HE HAD RECENTLY REACHED AN UNDERSTANDING
WITH THE UK WHEREBY THE UK WILL PROVIDE EC WITH A MONTHLY
25,000 METRIC TON SCRAP EXPORT QUOTA BEGINNING JANUARY
1974 (WITH MOST OF THIS SCRAP EXPECTED TO GO TO ITALY).

5. LOERKE OF EXTERNAL RELATIONS RECALLED THAT THE COMMISSION
SIDE MAY RAISE RAW SCRAP AS AN EXAMPLE OF A SUPPLY MANAGEMENT
PROBLEM DURING NEXT WEEK'S SOAMES/CASEY TALK (SEE REFTEL B).
PETRICK EXPRESSED HOPE THAT US-EC SCRAP CONSULTATIONS
COULD BE HELD SOON SO THERE WILL BE SUFFICIENT
TIME FOR THE EC INPUT TO BE CONSIDERED IN DEVELOPING
USG'S 1974 SCRAP POLICY. HE SAID THAT THE EC WOULD
ALSO LIKE THE NEXT SCRAP CONSULTATIONS TO
BE HELD IN BRUSSELS, ALTHOUGH HE SAID HE PERSONALLY
IS NOT FUSSY OVER THIS POINT. GREENWALD

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 26 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU06107
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731010/aaaaahaz.tel
Line Count: 131
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) EC BRUSSELS 5975
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 31 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31-Aug-2001 by elyme>; APPROVED <05-Nov-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FERROUS SCRAP DISCUSSIONS WITH EC OFFICIALS
TAGS: EIND, ETRD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005